

COUNTY OF TULARE
DISTRICT ATTORNEY'S OFFICE

**AUDIT OF VERTICAL PROSECUTION BLOCK
GRANT PROGRAM
GRANT AWARD NUMBER VB07050540**

**FOR THE PROGRAM PERIOD
JULY 1, 2007 THROUGH JUNE 30, 2008**

DATE RECEIVED:



AUDIT REVIEW #(s) 04551

Assigned To: Armstrong

Date Reviewed: 5/22/09

Reviewer's Initials: [Signature]

Date Review(s) Completed: 5/22/09

County of Tulare
District Attorney's Office
Audit of Vertical Prosecution Block Grant Program
Grant Award Number VB07050540
For the Program Period July 1, 2007 through June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of Tulare
Visalia, California 93291

We were engaged to audit the accompanying financial statements of the County of Tulare, District Attorney's Office Vertical Prosecution Block Grant Program (Governor's Office of Emergency Services Grant Award Number VB07050540) as of and for the program period July 1, 2007 through June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the District's management.

We were unable to audit the financial statements of the Vertical Prosecution Block Grant Program for the program period July 1, 2007 through June 30, 2008 due to insufficient substantive evidence to support attorney level salaries and benefits expenditures for employees that worked on the program. In addition to these scope limitations and significant uncertainties, we were unable to apply other procedures in order to satisfy ourselves as to the total program costs of the Vertical Prosecution Block Grant Program.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was materially insufficient to enable us to express and we do not express an opinion on the financial statements identified in the first paragraph.

This report is intended for the information and use of the District Attorney's management, others within the organization, the County of Tulare Board of Supervisors and the California Governor's Office of Emergency Services and is not intended to be and should not be used by anyone other than these specified parties. Though restricted in use, this report may be a matter of public record.

A handwritten signature in cursive script, reading "Doreen Hutchings".

Doreen Hutchings, CPA
Chief Internal Auditor
February 17, 2009

COUNTY OF TULARE
DISTRICT ATTORNEY'S OFFICE
VERTICAL PROSECUTION BLOCK GRANT PROGRAM
GRANT AWARD NUMBER VB07050540
BALANCE SHEET
AS OF JUNE 30, 2008

ASSETS:

Accounts Receivable (See Note 5)	<u>\$ 111,541</u>
Total Assets	111,541

LIABILITIES:

Advance from County General Fund	<u>111,541</u>
Total Liabilities	111,541

FUND BALANCE:

Fund Balance	<u>\$ -</u>
Total Fund Balance	\$ -

Total Liabilities and Fund Balance	<u><u>\$ 111,541</u></u>
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The accompanying notes are an integral part of these financial statements.

COUNTY OF TULARE
 DISTRICT ATTORNEY'S OFFICE
 VERTICAL PROSECUTION BLOCK GRANT PROGRAM
 GRANT AWARD NUMBER VB07050540
 STATUS OF CASH
 FOR THE PROGRAM PERIOD JULY 1, 2007 TO JUNE 30, 2008

	For the Fiscal Year Ended June 30, 2008
Cash Received:	
State Grant Cash Received	\$ 382,872
Total Cash Received	382,872
Grant Expenditures Claimed:	
Personal Services	494,413
Operating Expenditures	-
Total Expenditures	494,413
Grant Expenditures in Excess of Cash Received	(111,541)
Accounts Receivable:	
State	111,541
Total Accounts Receivable	111,541
Cash on Hand as of June 30, 2008	\$ -

The accompanying notes are an integral part of these financial statements.

COUNTY OF TULARE
 DISTRICT ATTORNEY'S OFFICE
 VERTICAL PROSECUTION BLOCK GRANT PROGRAM
 GRANT AWARD NUMBER VB07050540
 SCHEDULE OF APPROVED BUDGET AND CUMULATIVE EXPENDITURES
 FOR THE PROGRAM PERIOD JULY 1, 2007 THROUGH JUNE 30, 2008

	Original and Final Approved Budget	Cumulative Expenditures Claimed	Variance with Final Budget
	State	State	State
<u>Expenditures:</u>			
Personal Services	\$ 494,413	\$ 494,413	\$ -
Operating Expenditures	-	-	-
Totals	<u>\$ 494,413</u>	<u>\$ 494,413</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**County of Tulare
District Attorney's Office
Vertical Prosecution Block Grant Program
Grant Award Number VB07050540
Notes to Financial Statements
For the Program Period July 1, 2007 through June 30, 2008**

Note 1: Program Summary

The County of Tulare, District Attorney's Office, Vertical Prosecution Block Grant Program (Program) allows experienced and skilled prosecutors to prosecute a reduced caseload of specific types of serious criminal cases from the filing of the case through sentencing. This program encompasses three areas of specialized prosecution: Career Criminal Prosecution, Major Narcotics Vendors Prosecution, and Child Sexual Abuse Prosecution. Funds are provided by the Governor's Office of Emergency Services (OES) of the State of California to fund expenses for operation of the Program. The County of Tulare, District Attorney's Office entered into the Program with OES for the program period July 1, 2007 through June 30, 2008 with a total budgeted project cost of \$494,413. The final Form 201 was filed July 17, 2008.

Note 2: Significant Accounting Policies

The County of Tulare, District Attorney's Office accounts for grant proceeds and expenditures using the modified accrual basis of accounting. Under this method, Program revenues are recognized when measurable and available to finance expenditures of the current period. These include amounts that have been spent but not yet reimbursed to the County of Tulare, which are accrued. Expenditures are generally recorded when a liability is incurred as under the accrual method of accounting.

Note 3: Claimed Costs

Claimed costs were obtained from the Forms 201 for Grant Award Number VB07050540 filed quarterly with the Governor's Office of Emergency Services for the program period July 1, 2007 through June 30, 2008.

**County of Tulare
District Attorney's Office
Vertical Prosecution Block Grant Program
Grant Award Number VB07050540
Notes to Financial Statements
For the Program Period July 1, 2007 through June 30, 2008**

Note 4: Summary of Grant Revenues and Expenditures

A summary of state grant revenues and expenditures claimed for the program period July 1, 2007 through June 30, 2008 is as follows:

<u>Grant Number</u>	<u>VPBG Budgeted Expenditures</u>	<u>VPBG Claimed Expenditures</u>	<u>Revenues Received</u>	<u>Balance of Funds to be Received</u>
VB07050540	\$ <u>494,413</u>	\$ <u>494,413</u>	\$ <u>382,872</u>	\$ <u>111,541</u>

The final payment was received on September 3, 2008.



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Board of Supervisors
County of Tulare
Visalia, California 93291

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We were engaged to audit the financial statements of the County of Tulare, District Attorney's Office Vertical Prosecution Block Grant Program (Governor's Office of Emergency Services Grant Award Number VB07050540) as of and for the program period July 1, 2007 through June 30, 2008, and have issued our report thereon dated February 17, 2009. We were unable to perform our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Governor's Office of Emergency Services 2008 Recipient Handbook and Program Guidelines.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Tulare, District Attorney's Office Vertical Prosecution Block Grant Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the statement, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Tulare, District Attorney's Office Vertical Prosecution Block Grant Program's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Program's statement that is more than inconsequential will not be prevented or detected by the Program's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Tulare, District Attorney's Office Vertical Prosecution Block Grant Program's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified instances of deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. These instances are reported in the Schedule of Findings and Questioned Costs on pages 9 through 11.

Compliance and Other Matters

As part of attempting to obtain reasonable assurance about whether the Program's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements applicable to the County of Tulare, District Attorney's Office Vertical Prosecution Block Grant Program, noncompliance with which could have a direct and material effect on the determination of statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our limited testing disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or Governor's Office of Emergency Services 2008 Recipient Handbook and Program Guidelines. These instances are reported in the accompanying Schedule of Findings and Questioned Costs on pages 9 through 11.

This report is intended solely for the information and use of the County of Tulare District Attorney's Office and Board of Supervisors, and the California Governor's Office of Emergency Services. However, this report is a matter of public record and its distribution is not limited.



Doreen Hutchings, CPA
County of Tulare
Chief Internal Auditor
February 17, 2009

**County of Tulare
District Attorney's
Vertical Prosecution Block Grant Program
Schedule of Findings and Questioned Costs
For the Program Period July 1, 2007 through June 30, 2008**

Finding No. 2008-1 – Questioned Costs

Condition:

The County of Tulare District Attorney's Office charged salaries and benefits costs to the Vertical Prosecution Block Grant Program (Program) for employees who did not work the Program. The District Attorney's grant administration (Staff) timekeeping practices are inadequate in supporting and providing sufficient evidence for salaries and benefits costs of the Program. Staff has informed us that higher level attorneys are actually working the Program, but they do not have adequate timesheets to support these costs. Without proper supporting evidence, there is no audit trail to test these employee salaries and benefits. Due to these limitations, actual costs of the Program cannot be determined, deeming the Program un-auditable.

Criteria:

The OES 2008 Recipient Handbook section 11331 states "All grant funded personnel must maintain time cards/sheets that indicate the actual time worked on each OES funded project and account for all the time worked by the employee during the pay period." In addition, section 2172 states "Salaries and benefits of personnel...must be charged to each grant based on the actual percentage of time spent on each grant...Functional timesheets or an allocation plan must be maintained which support the time charged to OES grants."

Cause of Condition:

Timesheets are being created allocating hours worked on the Program for employees that did not actually work the Program. Employees are signing and supervisors are approving timesheets that do not reflect actual employees or actual time worked on the Program. Furthermore, Staff is claiming salaries and benefits costs based on these inadequate timesheets.

Effect of Condition:

The Staff's accounting formats and controls are not consistent with those of the County General Fund and have not been approved by the Auditor-Controller. Due to the inadequate timekeeping process being used, there is improper recording, missing authorization of individual actual time worked and an inadequate audit trail. Based upon the Program's \$587,840 Personal Services costs recorded in the general ledger, we found \$151,279 in salaries and benefits costs for employees that did not work on the Program. Of the \$587,840 in Personal Services costs recorded in the general ledger, only \$494,413 in Personal Services costs were claimed on the 201s, as budgeted.

**County of Tulare
District Attorney's
Vertical Prosecution Block Grant Program
Schedule of Findings and Questioned Costs
For the Program Period July 1, 2007 through June 30, 2008**

Recommendation:

We recommend that Staff implement a proper timekeeping system that documents the individual **actually** working on the Program and **actual** time spent on the Program. The employee should complete and sign their timesheet including supervisor approval indicating that the timesheet is correct. We recommend that the District Attorney's Office Vertical Prosecution Block Grant Program ensure that all personnel costs claimed are grant related in accordance with sections 2172 and 11331 of the OES 2008 Recipient Handbook ensuring that personnel expenses charged to the Program are limited to personnel funded by the grant. We also recommend that the District Attorney's Office follow the County of Tulare's Administrative Regulation No. 3 (3)(h) stating that the grant administration accounting format, responsibilities, and controls shall be consistent with those for the County General Fund and approved by the Auditor-Controller.

Client Response:

The Vertical Prosecution Program and its predecessors have been operated by this Office since 1994. As part of the grant requirements, yearly audits have been conducted and reports submitted to the California Emergency Management Agency -- Office of Emergency Services. Until this audit cycle we have not had any issue with staffing or its accounting. The operation of the program and the methodology allocating staff and resources has not changed since the inception of the program. Staff attorneys and investigators have come and gone from the positions. Entry level attorneys have been charged to the program budget while grant required experienced and more costly attorneys actually handled cases in order to stay within funding levels and meet County targets. The concept of assigning experienced attorneys and budgeting entry level staff is known to County Administration and the Office of Emergency Services. This practice is accepted by the Office of Emergency Services. The concern of OES is the work is accomplished properly. A letter from OES evidences such flexibility.

With the staffing change within the Internal Auditor's Office and the use of a different process of conducting the audit, a material weakness has been identified regarding sufficient documentation for timekeeping of staff hours. This Office has not misrepresented or hidden its staffing practices. Be that as it may, we understand the need for a different accounting method going forward to satisfy the process and current internal auditors. We have modified our time records and tracking systems to provide sufficient evidence for salaries and benefits. We will be conforming assignment with our time sheets and recording hours devoted to the program.

It should be noted when this Office files a program report the names of staff who actually worked the cases are listed. Each case file, whether a filed case or one investigated and not filed, is supported with a file containing all case documentation. These files are considered the original source documentation for our work in the

program and each file substantiates the work done. In audits of other programs, these files were offered for examination but were declined as this type of documentation does not conform to accounting standards employed by the auditor, i.e. they are not "time sheets."

Finally, \$151,279 should not be disallowed. The amount is salary for the less experienced attorney staff charged to the program for budget purposes and is at the center of this issue. We have documentation to support these charges albeit, not acceptable to the Internal Auditor.

Respectfully submitted,

William Yoshimoto
Assistant District Attorney

Auditor Comment to Client Response:

We agree with the client that the concept of assigning experienced attorneys and budgeting entry level staff is known to County Administration and the Office of Emergency Services. However, the issue we are addressing is the practice of recording time of attorneys that did not actually work on the Program and charging that time to the Program.

We consider the client's response to infer that their timekeeping process was acceptable by prior auditors. Whereas, we believe their timekeeping practice simply remained undetected in prior years. We found that the former Chief Internal Auditor was not aware and does not accept the Staff's timekeeping practices. Additionally, the Internal Audit's change in staff is irrelevant in identifying this material weakness as the current Chief Internal Auditor has been involved in auditing the Program for over seven years. Furthermore, the Staff's timekeeping process was found due to using a different process in conducting our audits. Our audit standards require us to incorporate the element of unpredictability from year to year, such as interviewing different individuals or changing sampling methods.

We agree that the client offered for examination case files of the program, but the files offered would not have provided the appropriate substantive evidence needed to conduct an audit and support program costs charged to the program. Conversely, this would be outside of our scope and it is the decision of the Office of Emergency Services to disallow costs.

County of Tulare

District Attorney's Office Vertical Prosecution Block Grant Program

Statement of Expenditures - Incurred Cost vs Claimed Costs

**For the Program Period
July 1, 2007 through June 30, 2008**

Vernon McDonald, CPA
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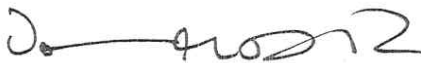
Independent Accountant's Report

I have examined the accompanying Statement of Expenditures - Incurred Costs vs Claimed Costs of the County of Tulare, District Attorney's Office Vertical Prosecution Block Grant Program for the period July 1, 2007 through June 30, 2008. The County of Tulare, District Attorney's Office is responsible for the Statement of Expenditures - Incurred Costs vs Claimed Costs. My responsibility is to express an opinion based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Statement of Expenditures - Incurred Costs vs Claimed Costs and performing other such procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion.

In my opinion, the Statement of Expenditures - Incurred Costs vs Claimed Costs presents, in all material respects, the Costs of the County of Tulare, District Attorney's Office Vertical Prosecution Block Grant Program for the program period July 1, 2007 through June 30, 2008.

This report is intended for the information and use of the District Attorney's management, others within the organization, the County of Tulare Board of Supervisors and the California Governor's Office of Emergency Services and is not intended to be and should not be used by anyone other than these specified parties.



Vernon McDonald, CPA
April 16, 2009

County of Tulare
District Attorney's Office
Vertical Prosecution Block Grant Program
Statement of Expenditures - Incurred Costs vs Claimed Costs
For the Program Period July 1, 2007 through June 30, 2008

	<u>Incurred Costs</u>	<u>Claimed Costs</u>	Amount Claimed Over Incurred Costs
Personal Services	<u>\$483,506</u>	<u>\$494,413</u>	<u>\$ 10,907</u>

The accompanying notes are an integral part of these financial statements.

County of Tulare
District Attorney's Office
Vertical Prosecution Block Grant Program
For the Program Period July 1, 2007 through June 30 , 2008

Notes to Statement of Expenditures - Incurred Costs vs. Claimed Costs

Note 1 - Purpose of Report:

This report has been issued because the initial audit report was unable to audit the program Costs of the Vertical Prosecution Block Grant Program (The Program) due to insufficient substantive evidence to support attorney level salaries, benefits, and other employee type related expenditures for employees that worked on the program. This was essentially due to attorneys being charged to The Program based on budgeted lower level attorneys along with their expenses, whereas the higher level attorney's performing the work were charged to the District Attorney's County General Fund. The work performed to issue this report expanded the scope of the initial examination and applied other procedures to ascertain the costs incurred on behalf of The Program. No Operating Expenditures were audited or listed in this report because the Program did not reimburse for these Expenditures.

Note 2 - Breakdown of Incurred Costs:

The breakdown of Personal Services Incurred Costs on behalf of the program are as follows:

Personal Services:		
Attorney	\$454,336	
Investigator	<u>103,177</u>	
Total Personal Services		\$557,513
Less amount claimed during the prior grant award period		<u>(74,007)</u>
Total Personal Services Costs Incurred		<u>\$483,506</u>

Note 3 - Claimed Costs:

Claimed Costs were obtained from the Forms 201 for Grant Award Number VB07050540 filed quarterly with the Governor's Office of Emergency Services for the program period July 1, 2007 through June 30, 2008.